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The
MANAGEMENT REVIEW

MAY, 1937

Overtime Worker—Over Zealous? Under Organized

OVERTIME WORK IS being attacked on all fronts this month. Voluntary overtime on the part of the employee is not necessarily a token of his devotion to his work, although it often gets credit for being that. When one is constantly behind in one's work, requiring overtime, there are just two things that can explain it: First, the subdivision of work and organization of the staff and office is wrong; or second, the individual's method of working is seriously at fault (**Working Overtime Versus Efficiency**, page 161).

ON THE OTHER HAND, **"More Overtime Tonight"** (page 160) criticizes the office that insists upon keeping its employees overtime again and again. Employees know too well that much overtime is only the result of inadequate equipment—working methods that are outmoded. As employment increases, good workers will gravitate toward offices with good up-to-date equipment.

FOR THE PERSON interested in testing, our personnel section offers a bevy of interesting experiments. **A Borstal Experiment in Vocational Guidance** (page 168) describes vocational tests given to a group of inmates in a boys' prison in England. This experiment is described as being a striking testimony to the value of the psychological technique of vocational guidance.

FROM ENGLAND comes another contribution in the form of a study of fatigue and boredom in repetitive work (page 170). The provision of gramophone music as an antidote to boredom was found to be an effective and practical measure. A high potential capacity is not the only criterion to be used in selecting operatives for this kind of work; an equally important factor is relative immunity from influences which prevent the worker from making full use of her potentialities. The dreamy introvert who finds satisfaction in phantasy is more suitable than the person who finds satisfaction in active contact with the external world.

INSPECTION processes in industry provide one of the most promising fields for the use of vocational selection tests. Selection tests for paper sorters (page 169) which provide as reliable a measure of a girl's ability as the output figures of three months' productive work are described.

MORE ON THE junior executive situation (page 166), **Development of Personnel Records.** The shortage and selection problem has its answer, according to this article, in good employee records. The writer believes that the shortage of skilled labor and the dearth of capable junior executives are the most significant developments in the personnel field. If employee records are the answer to the latter problem, private industry might well look to the methods used by the U. S. Government for keeping such records, he says.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

MICROSCOPE ON THE PRODUCT—TELESCOPE ON THE CONSUMER

IN THE early days Joe Green, the shoemaker, knew that Mr. Smith always preferred black leather, while Mr. Jones was partial to lighter shades of tan, and that Mr. Brown insisted that only comfort counted, whereas Mr. Brown, Jr., went in for "toothpick" toes with filigree decorations.

Serving the customer was a comparatively easy task for Joe Green. Intimate knowledge of his customers enabled him to arrange his purchasing, plan his "production," meet changes in the style trend, and direct his sales with a finesse that is not easily excelled by the modern manufacturer with all his highly specialized organization facilities.

Today the Joe Greens in the United States are few and far between; the handicraft age is gone and we are living in another era in which the personal contact between producer and consumer has vanished or is rapidly vanishing.

Although modern manufacturing methods have given the consumer products undreamed of by our forefathers at tremendous savings, large-scale operations and nationwide distribution have caused consumer and producer to become more widely separated. The situation is further complicated by the nature of mass production which demands that goods be designed well in advance of the time they are offered for sale.

While the modern industrial producer must use a microscope in research to know the nature and possibilities of his product, he must use a telescope to know the wants and desires of the consumer of the product. Thus we have what has come to be termed "customer research."

While the sales department seeks to break down sales resistance, the customer research department comes around from the other end and *builds up consumer acceptance*. In other words, it is the object of customer research to provide the facts that will make it possible to eliminate or at least to reduce sales resistance by reckoning with it in the original design.

The maintenance of a consumer research activity does not necessarily mean a blind acquiescence to the expressed tastes and desires of the consumer, which, as applied to a highly technical product, might lead to violation of sound engineering, to construction difficulties, or to increases in cost outweighing the advantages to be gained. But consumer research does provide the means whereby the consumer may readily pool his practical experience with the technical skill of the manufacturer to the end that the needs, tastes, and desires of the consumer may be brought into proper relationship to scientific research and inventive genius, and most of all into an intelligent union with practicability.

Through the proper technique, consumer research can throw valuable light on what we may call "the boundary lines of public acceptance," thereby enabling the manufacturer to foresee which of the developments that he has under way are the most logical to incorporate in his future product.

Beyond the question of technique, however, it is dangerous to look upon customer research as a specialized function that views and appraises the specialized functions in their relation to one another and from a standpoint of their composite effect.

It is the function of customer research to study such net effects from the outside looking in—reversing the usual procedure, measuring the net effect on the consumer, breaking down the results, relating them to the causes, and tracing them back to the specialized activity responsible therefor.

From this broad viewpoint customer research cannot restrict its interest to any one phase of a business. Primarily, of course, there is the question of product design and all of the specialized activities that contribute to product design—but in addition to questions of mechanical design and styling, there are other considerations of almost equal importance:

It is not sufficient that the producer build a good product—the product must be sold and serviced along lines that will merit continued patronage and an expanding rate of consumption. We have the problem of influencing the customer's mind—which, if done along constructive lines, is just as much of a social service as the building of a good product.

In conclusion, I would like to observe that progress in production efficiency has come about through developing a better and better knowledge of cause and effect in the realm of the physical sciences—in other words, learning more and more about the "temperaments" and characteristics of raw materials out of which we build our finished products, and designing our production processes along lines that are in harmony with the laws governing the nature and behavior of such materials.

Just as iron, steel and copper are the raw materials out of which mechanical products are built—just so the *buyer's mind is the raw material out of which sales are produced;* and the more we know about the buyer's mind, the better we are fitted to "process it."

As Kenneth Goode has aptly expressed it, it is a matter of "Finding out what people *like*—doing more of it; finding out what people *don't* like—doing less of it."

Customer research is a tool—or perhaps I should say ONE of the tools providing information that may enable every activity in a business to work more intelligently toward the accomplishment of these objectives—and in the process it provides a single interest—a common bench-mark—an antidote, if you please, to the dangers of specialized thinking.

By H. G. WEAVER,
General Motors Corporation.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

What Will British Management Tell the U. S. A. in 1938?

The British Management Council is now preparing for the Seventh International Management Congress, which will be held in Washington in September, 1938.

The program for the Washington Congress represents a departure from the practice adopted at previous Congresses in that intending authors are not being asked to submit papers on any specific problems of management. On this occasion the theme for papers is "Recent Developments in Scientific Management," which means to say that papers may be submitted on any aspect of management whatsoever, provided that the problem dealt with is definitely a "recent development."

For the purpose of this Congress, a recent development is taken to mean one which has manifested itself or has made definite progress since the time of the Sixth International Congress for Scientific Management, held in London in June, 1935.

Papers must be submitted to the Congress with the approval of the British Management Council. Once they have been accepted by the Congress authorities, all papers will be classified under one of the six following headings—administration, production, distribution, personnel, agriculture, and the home.

All papers in each section will be analyzed and a general report will be prepared summarizing the papers and indicating the points of particular interest and any general conclusions which may be drawn from them. On the basis of these reports will be determined the actual subjects for discussion at the Congress in each of the six sections. Each section will have six sessions devoted to it, which will be spread over a period of three days. By U. Baliol Scott. *Industry Illustrated,* March, 1937, p. 10:3.

Unemployment and Business Recovery

The idea that large permanent unemployment is inevitable in this country is a political fiction that disregards known facts of normal growth of business volume, productivity of labor, and labor supply. Total employment is much nearer pre-depression levels than is total business activity. General and serious labor shortage in 1940 is prob-

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

able with continued increase in volume of production and trade and output per man-hour during the next four years at the same rate as in the past four years, under prevailing working hours. A permanent labor surplus of 5½ millions could be maintained only by reducing the annual growth of business and rise of the standard of living to less than a third of the normal rate, unless working hours or productivity of labor were greatly increased, more women and young and old workers were employed, or the normal shift of workers from agriculture, mining, and manufacturing to other occupations was checked. By Leonard Kuvin. *Conference Board Bulletin,* February 25, 1937, p. 29:8.

Great Shifts of Industry in Progress

Many movements and expansions are being made throughout the United States by leading industrial concerns. Among the reasons for this decentralization are accessibility to sources of raw materials, exploitation of new materials, savings on transportation costs, and availability of cheaper labor.

There is a constant migration of industries to and from the great centers of New York, Chicago and Philadelphia. No definite trend is discernible in them beyond that of constant change. The printing trade and other highly unionized trades have recently been drifting from the big centers to where wages are less strictly regulated. On the other hand, the area of metropolitan New York, including Jersey City, Newark, Long Island City and Elizabeth, has been a Mecca for many small and large companies since 1933. The same is true of Greater Chicago. Although the meat packing industry is showing a marked tendency to decentralize, Chicago is still the gainer in industrial diversity.

The textile industry went south because that region had the cotton, the labor, and the climate, and was hungry for industrialization. A placid labor supply and a severity of climate that encouraged the use of shoes were the motives for the westward migration of the shoe manufacturers. By Preston Field. *The Magazine of Wall Street,* April 10, 1937, p. 814:5.

Machines Make Jobs

The progression from human muscle to modern machines is marked by ever-increasing leisure and the chief characteristic of leisure is its cultural possibilities. There are two types of culture in the world; idealistic culture which finds expression in creative arts, and materialistic culture which is expressed in science, invention, machines, business, etc.

We find from records that materialistic culture is evident in the United States. Statistics show that 7 per cent of the people in the world living in the United States had more purchasing power than all of Europe, that 60 per cent of the world's minerals were extracted in the United States, that this country has more than one-half of the world's communication facilities.

Along the line of idealistic culture, the United States has approximately one-fourth of its people working in the

field of education. In one generation educational opportunities were hurled at the heads of all through libraries, the press, extension courses, evening schools, and the radio, and the machine had a great deal to do with creating the wealth to make this education program possible and to perfect the means for bringing it about.

Critics claim that the machine makes robots of men. The real truth is that the machine is the most altruistic thing in our midst. It has given people more leisure in which to enjoy life and develop cultural hobbies and has transferred the burden of toil from men to machines, giving men some measure of freedom.

It is the business of the machine to make jobs, not to deprive men of them. It does this to a large extent through new jobs which are created from the development of new industries.

The machine increases the wages and decreases the hours of labor. Real wages more than doubled between 1900 and 1935; between 1900 and 1930 production by workers increased 68 per cent. As late as 1934 the wage and salary earners in this country received 67.4 per cent of the national income. Between 1899 and 1929, production increased 216 per cent, while at the same time wages to labor increased 479 per cent. The machine is not mistreating labor. It is holding it up. By Dr. James S. Thomas. *Commerce,* April, 1937, p. 30:5.

Show Us a Factory Sweatshop

"New York is a hot-bed of sweatshops" according to the critics of industry. Indeed the phrase "New York sweatshop" is as basic a part of our language as "Boston baked beans." Yet the editors of *Mill & Factory* were unable to find even "one real, bona-fide, factory sweatshop in New York City." They consulted every reform agency that complains about sweated labor. They were given plenty of opinions but no facts. They have found that they are twelve years too late in making this search in 1937. No news or industrial photographer can furnish a picture of one. No reform or social service worker can name a single one. Yet fifty out of every fifty-five New Yorkers interviewed in the quest assured the reporters that there were thousands of sweatshops in the city. *Mill & Factory,* April, 1937, p. 43:12.

FINANCIAL MANAGEMENT

No More Guesswork for the Budget

Here is the way the budgetary control system of the Gates Rubber Company operates:

First a code was adopted. Under appropriate headings and through code classification, every salient fact pertaining to the sale of their numerous products is listed. For instance, numbers indicate the warehouses: No. 0 is Brooklyn, No. 1 stands for Chicago

and No. 5 is San Francisco. Under another column No. 0 means Cash, No. 1, Open Account and No. 4, Trade Acceptance. In still another column, similar numbers indicate the group and market. Numbers preceded by two zeros refer to the salesman who has taken the order in question. Other combinations indicate such facts as the class of product, brand, size, cash discount, transportation, class of risk and terms of payment.

The information on each invoice is interpreted in terms of the code and punched on cards in a tabulating machine. Cards in this machine have columnar headings which correspond with the sales and accounts receivable analysis data listed with the code, and the figures in each column are punched to record the information on a single invoice. There is one card for each invoice.

Thus, information is at hand to show the total sales in each line and an analysis by individual product. In order to explain discrepancies in profits in one sales period over another during which cost figures or total sales may have shown little variation, the sales channels through which sales are made, are listed. For it may be that a heavier proportion of some particular product or products was sold to certain markets at a narrower margin of profit than had that same volume been disposed of through some other channel.

The breakdown of sales according to class of risk and terms of payment is for the banker's information for he is interested in the status of accounts receivable and the relation of inventories to sales. The classification according to point of shipment or warehouse is done as an aid to the production department in maintaining an adequate but well-balanced inventory with a minimum of capital investment. Salesmen are paid a bonus on sales. A territorial analysis provides for a split-up which will give sales per man, per district, and by product and brand within each territorial and market division.

Each day, after the day's invoices have been coded and punched, the cards are placed in an electric sorting machine which is set to give any of the desired analyses—by class of product, market, territorial sales and the like. Having been sorted into groups containing like information the cards then go to the tabulating machine. This machine summarizes and extends and prints automatically all the information being compiled.

The amount of the accounts receivable, delivery, cash discount and sales, by product, is accumulated, checked against the adding machine tape of invoices and entered on a running record. The total of the running record at the end of the month is the general ledger sales journal and proof of daily invoice postings.

The several sales analyses are drawn off daily and accumulated in various groupings. The cards are subject to an infinite variety of analyses, combinations and arrangements. The product, brand and market analysis, studied in relation to the cost sheet, tells

where the profit lies. Coupled with inventory and production, it is the backbone of all budget estimates. By Charles W. Dean. *American Business,* May, 1937, p. 36:3.

The Beginnings of Business Budgeting

Budgeting was first used in England during the eighteenth century as a means of controlling governmental expenditures. English immigrants brought the idea of government budgeting to the United States and it was applied early in some towns and cities. From 1911 to 1919 forty-four states enacted budget laws and in 1931 a national budget was adopted.

While budgeting was being adopted by governmental units, the budget idea was also being applied by some of the larger businesses in the United States. Since 1920 business budgeting in this country has grown rapidly and substantially. This rapid growth can be accounted for by the fact that during this recent period a number of influential factors have been at work to produce conditions that were favorable for budgetary development. Some of these elements came from within individual businesses, while others arose from sources separate and apart from individual business enterprises.

The most important of these factors included the following: industrial expansion and competition, production standardization by industrial engineers, emphasis on internal trends and cyclical movements by statisticians, endorsement of business budgeting by banks, credit men, and insurance companies, exchange of ideas through trade associations.

Some of the European countries have recently been adopting budgetary procedures in their industries. This development has emanated mainly from the United States, and has spread to other countries through the medium of budgetary literature. By Edwin L. Theiss. *The Accounting Review,* March, 1937, p. 43:11.

The Importance of Expense Control

This is the report of a panel discussion on the importance of expense control held February 17, 1937, in connection with the meeting of the Metropolitan Controllers' Association. The members of the panel were: Kenneth Richmond, Abraham & Straus, Inc.; Edwin A. Godley, S. D. Leidersdorf & Co.; Alfred Henry, Gimbel Brothers; Philip I. Carthage, Interstate Department Stores; W. R. Gorman, Franklin Simon & Co.

The discussion covered administration of the budget, budgeting capital expenditures, budgeting in terms of transactions, incorrect budget control, the payroll ratio, the tax problem, normal and extraordinary budgets, fixed charges, and the functions of an expense controller. *Metropolitan Controllers' Association,* 1937. 19 pages.

Branch Store Accounting

Control in branch store accounting is very difficult. Physical assets are spread out over several states in hundreds of locations. Cash is easily controlled, but inventories are rather

troublesome. The General Auditor of the Western Auto Supply Co. describes his company's method of accounting and procedure from the time that the purchase order is issued until the merchandise is in the stores. By A. B. Armstrong. *The Balance Sheet,* April, 1937, p. 12:6.

Depreciation Reserve Policies

Frequent review of depreciation reserve policies of a corporation is made necessary by many changing factors; the principal one is legislation. Laws enacted in 1936 have a far-reaching effect upon reserves, dividends, taxes, costing and commodity pricing.

A depreciation reserve policy which aims toward the establishment of factual rates supported by records is recommended to management. This policy is expressed in three points: First, its purpose is to maintain capital investment intact and to recover cost from the selling price of the product of the asset during its useful life. Second, the method of accumulation of depreciation reserves should consider several important factors at the time of the acquisition of the asset and the useful economic life of the asset should be redetermined at periodic intervals. The third point covers the use of depreciation funds. Such reserves should be subjected to the same budgetary control and accounting record as other elements of production cost.

The author also gives helpful suggestions on the installation and maintenance of a plant ledger for keeping records. By John W. O'Leary, president, The Machinery Institute. *Manufacturers News,* April, 1937, p. 11:3.

Expense Budgets

The Controller of Peck & Peck describes the preparation of an expense budget and the elimination of waste or unnecessary expenditures in a chain store operation (Peck & Peck owns and operates 24 units situated in 11 states); the Budget Director of B. Altman and Company describes these same operations in his store and concludes with these words of caution:

"Bear in mind that the trend is away from lengthening hours and reducing wages to offset the shortcomings of management; that two inefficient employees at low salaries are a poor substitute, and pay less dividends to management, than one efficient employee at a reasonable salary. With the increasing wage scales and shortening of hours, you are paying a much higher rate for every hour of inefficient production, and for every hour of duplicated effort. To top that, the Government now requires that you pay a tax on this non-productive payroll.

"The per cent to sales figure which was a helpful guide in a period of decreasing volume may be terribly ineffective and misleading in the present phase of the business cycle. Production figures that will show the ebb and flow of work in the various departments of the store, and standards of individual production that will aid in the planning of personnel re-

quirements and vacation schedules, should insure a dollar's worth of return to management for every dollar of payroll expenditure. In the development of proper units of production, and in the setting of satisfactory standards of individual performance, the expense controller can be of inestimable aid to management." *The Balance Sheet,* April, 1937, p. 17:6.

INSURANCE

Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.

Approves Retrospective Plan

Superintendent of Insurance, Louis H. Pink of New York State, in a decision which will be far-reaching, announced his approval of retrospective rating of workmen's compensation for experimental use, provided the proponents of the proposed plan agree to three amendments. Specifically the Superintendent recommended limiting the interstate rating aspects of the plan to states in which retrospective rating is used; the elimination from the loss conversion of additional loadings for home office administration, payroll audit and inspection expenses, and further amendment of the plan to provide for the use of average rather than specific death and permanent total disability costs.

He commented on the Mutual's supplemental rating plan by saying "From an insurance standpoint there is much to commend the principles of this plan although the expense loading features would probably detract from the usefulness of the plan from the viewpoint of stock carriers and their desire to compete with self-insurance. . . ."

The question squarely before Superintendent Pink in making his decision was whether or not the proposed plan would result in illegal discrimination. "While technically it may be argued that the plan is discriminatory, if broadly construed from a practical standpoint, it would seem that this is not the case." *The Eastern Underwriter,* April 30, 1937, p. 55:1.

Purpose of Property Life Insurance

The author, Dr. Hans Heymann, has been instrumental in formulating plans for reserves against building decay and obsolescence in Europe, and of recent date has discussed this subject with Americans interested. In a concluding article he says that what is missing in the various plans in this country is the idea of a building life insurance company which will step in as guarantor in case of partial and total losses, brought about by age and premature decay.

In spite of material age and in spite of all danger which threatens even well-built property, the originally invested capital would be permanently reserved against a relatively small premium. Commenting on the moral hazards he states, "An insured, carry-

ing property insurance and property life insurance is not interested in intentionally and by gross neglect producing a casualty to an object well preserved and supplemented by the property life insurance, or to cause its loss." He also states that America needs a mechanism whose aim is to prepare real estate, factories, machinery, ships and other objects for long-term credits on the basis of property life insurance. *Journal of Commerce,* April 20, 1937, Insurance Section.

Machine Life Insurance

There is now more than ever a genuine need for a rational system whereby capital losses in industry may be eliminated, and whereby a secure basis for newly planned capital investments may be established. The average industrialist does not have sufficient experience concerning the life span of his productive equipment, nor the necessary means with which to safeguard his plant against the risks of depreciation or obsolescence. An insurance system can be established, based on experience, just as has occurred in the field of life insurance. American industry is now or will soon be deeply interested in making systematic provision for necessary repairs and renewal of dilapidated machines by means of insurance guarantees. *The Eastern Underwriter,* January 8, 1937, p. 19:1.

Editor's note: The above plan by Dr. Heymann may be a bit visionary, but not any more impossible than some other things that have been done in the past by the institution of insurance. Reference was made in the October 1936 issue of *The Management Review* to an article on property insurance, which referred especially to building obsolescence.

Definition of Strike and Riot Coverage

A division of opinion is reported among insurance executives on the important problem of insurance liability under fire, riot, strike and civil commotion, malicious mischief and vandalism policies, where sit-down strikes have occurred. One of the big questions to be determined is whether a sit-down strike in itself is a riot. From a strictly legal point of view, tumult and commotion are not necessary to establish claim.

If the riot policy is clarified to include sit-down strike risks, then there still remains the question of protection against so-called indirect or consequential damage. With respect to use and occupancy, there seems to be agreement that the intent of the policy is to cover loss during the time it takes to repair damage. The period during which the plant was occupied by the strikers is not included. *The Eastern Underwriter,* April 9, 1937, p. 1:2.

Conclusions of Insurance Subcommittee on Silicosis

At a national conference held in Washington in February, 1937, a special committee submitted its conclusions on this difficult phase of Workmen's Compensation risks. Consideration should be given to a proper and

equitable apportionment of the burden of caring for the physically unfit, disclosed by examination, with regard to hospitalization and sanitarium treatment where indicated, and with regard to finding employment. None of the several methods suggested for meeting the problem of the accrued liability appears entirely satisfactory.

The committee believes that a successful approach to the insurance side of the question should involve recognition of the value of safety engineering and loss prevention. The schedule rating of silicosis risks, making substantial rate differentials to encourage compliance with safety standards, is a principle which should be extended.

The problem of unacceptable risks does not appear difficult provided it is possible to secure adequate rates, not merely for classification of industry, but for individual risks. *Bulletin of the Association of Casualty & Surety Executives,* March, 1937, p. 3:3.

Flammable Gas Dangers

Bulletin No. 32 of the National Board of Fire Underwriters, is an example of the results obtained from the studies and experiments of Underwriters' Laboratories.

So many hazardous gases and refrigerants have come into common use in industry that we need to be forearmed with information about them. In one fire in a large eastern city, an explosion of benzol vapor and air killed four persons and badly burned several firemen. In another fire in a southern town, an explosion of butane vapor and air completely destroyed several buildings, including three dwellings, and killed one person. In another fire in a midwestern city, an explosion of ethylene gas and air killed four men and demolished the building in which the explosion occurred.

A vapor such as gasoline that is heavier than air tends to settle in low spots, and although gradually mixing with the air, if not affected by drafts, will remain in such low spots for a considerable time. Such heavy vapors will flow in a stream along a floor and downstairs or along the ground, and if reaching a source of ignition will propagate flame back to the source even from considerable distances.

Arbitration in Insurance

There is an Insurance Arbitration Council composed of representatives of the various branches of insurance. It affords a notable instance whereby maintenance of good will between industry, policyholders, and the public is reasonably assured. The following benefits flow from the extension of the plan:

1. The injured person is benefited by a quick, inexpensive and fair disposal of his claim; likewise the individual defendant or person against whom the claim is made.

2. The insurance company cuts its cost of settlement and retains the good will of the participants.

3. The public benefits through reduction in the number of cases on

the court calendars, and reduction in the cost of litigation.

Some would have arbitration compulsory just as the appraisal of a disputed fire loss is made compulsory in Massachusetts before the court can be resorted to, but it is alleged that arbitration is still in the experimental stage.

Figures reported by the American Arbitration Association show that as of November 30, 1936, 3,915 cases have been submitted for arbitration by insurance companies and other litigants, and of these 1,735 have been removed from the pending trial calendars by arbitration or settlement during the course of such proceedings. *The Arbitration Journal,* January, 1937 (excerpts).

Editor's Note: We highly commend *The Arbitration Journal* to all interested in arbitration proceedings, and there is much in the publication pertaining to the subject, for there are over 100 pages. The address of the Association is—American Arbitration Association, 521 Fifth Avenue, New York City. It is our considered judgment that the extension of the arbitration idea in the settlement of insurance disputes will be very helpful to insurance organizations, and those who use insurance.

OFFICE MANAGEMENT

Payroll Control

In order to retain control over any increase in the payroll, it is necessary to provide a method for authorizing payroll changes to which the entire organization must conform. The functions involved in payroll changes are those of personnel and expense control, and it would be well, therefore, to tie these two functions into any routine which might be established.

A form called "Requisition for Personnel" is used for asking and obtaining authority to place a new employee on the payroll. This form follows the following course through the various departments: 1. The supervisor who requests additional help fills out the requisition and signs it. 2. The requisition goes directly or indirectly to the department head for his approval. 3. (a) The form now goes to the planning department which passes on the need for additional help; (b) If the request is to replace a resigning employee, the form goes directly to the personnel officer without passing through the planning department.

4. The requisition comes to the personnel department accompanied by a job analysis if the position to be filled is a new one. This analysis will be a sufficient description of the position so that the personnel department will know what kind of worker to select. On already existing positions the personnel department can refer to the job analysis on hand. The personnel department sets the salary. This is entered on the form. 5. The form now goes to the expense control division which makes the necessary budget analysis, etc. 6. (a) If the salary

of the new employee exceeds $2,000 a year, the form is sent to the president or senior operating executive for his approval; (b) If the designated salary does not exceed $2,000 a year, the completed form is returned to the personnel department without going to the president. 7. After the preceding steps, the form is returned to the personnel department, which then selects a suitable candidate. This may occur either by new employment or by transfer. If it is done by transfer, then the requisition is the authority to replace the transferee.

When a change is made in the payroll status of an employee, the "Change in Status" form is used. If a new employee is to be put on the payroll, as previously authorized by the requisition, this change in status form serves as authority and as a source of information for placing a particular individual on the payroll. The distinction between the requisition and change of status forms is that the first authorizes the employment of "a person," while the latter authorizes placing on the payroll a particular person. If the position is to be filled directly by a new employee, the personnel department sends one or more candidates to the operating department. Oral agreement is reached with the department on the selection of a candidate.

1. The change in status form is often originated by the personnel department and the name, address, and other information regarding the new employee are entered on it. 2. The form is now sent to the expense control division where it is checked against the original requisition covering this employment. 3. (a) If the salary is $3,000, or greater, the change in status goes to the president for his approval; (b) If the salary is less than $3,000 it goes back to the personnel department without going to the president. 4. The personnel department now makes four copies of the form which are sent as follows: Number 1 and 4 go to the payroll department. Number 4 is acknowledged and returned to the personnel department for filing to close its records. Number 2 goes to the audit department. Number 3 goes to the operating department where the new employee is to work.

When the employee is to be transferred instead of newly employed, the department releasing him does so by signing the bottom of the form. The form then goes back to the personnel department which negotiates with the department to which the employee is assigned, and if these arrangements are satisfactory the form goes to that department for signature at the place marked "requested."

Terminations of employment are invariably originated in the department concerned. The personnel department does not take responsibility for initiating any terminations, transfers or changes in pay, except informally and orally. By Edward N. Hay. *Banking,* May, 1937, p. 30:2.

"More Overtime Tonight"

Employees know too well that much overtime is only the result of inade-

quate equipment—payrolls written by hand, figured with pencil; invoices and statements made as they were fifteen years ago; statistics dug from ledgers; reports compiled from inadequate records, with figures buried. As employment increases good workers will gravitate to those offices with modern equipment. Business pays a terrific price for obsolete, inadequate equipment. *American Business*, May, 1937, p. 28:1.

Working Overtime versus Efficiency

Generally speaking, overtime work is not a test of business ability and devotion. Real business ability is displayed in competent, effective dispatch of work, within standard working day limits. When one is constantly falling behind in one's work, requiring overtime, there are just two things that can explain it: First, that the subdivision of work and organization of the staff and office are wrong; and second, that the individual's method of working is seriously at fault.

The truth about most overtime workers is not that any employer is overloading them or that they are pushing their jobs so hard and relentlessly, but that they have faulty habits of work dispatch or unsound attitudes toward their work.

Some of the habits and personal reactions which the overtime worker is guilty of are: failure to plan the daily burden of work, failure to delegate work to assistants and trying to do everything himself, a defective sense of time interval, putting complex tasks off until the last minute, aversion for the use of efficiency aids, the habit of being slow to "get going" in the morning, etc. By J. George Frederick. *The Office Economist*, November-December, 1936, p. 5:2.

Centralized Control of Office Equipment

The yearly expenditure for office equipment of the Canadian National-Grand Trunk Railways was lowered considerably through the adoption of a centralized control of office equipment.

In following out this plan, a circular was issued to all offices explaining that an inventory of all office equipment in use and a supplementary inventory of all office equipment out of use must be made out each year. The circular also explained the requisition forms to be used for inventory purposes.

In addition, the offices were instructed that a condemnation report on the equipment presently in use must accompany any requisition for a replacement of that equipment and must show the equipment to be beyond repair.

Lastly, instructions were given to advise the main office in the case of any transfer of equipment with an explanation of the necessity of such a transfer, in order to keep the inventory records up to date. By C. U. Stapleton, Canadian National Railways. *N. O. M. A. Forum*, February, 1937, p. 3:5.

Does Noise Really Matter?

The influence of noise on office workers and factory operators causes a mental fatigue which promotes carelessness and discourages ambition. Un-

der such conditions, the speed and efficiency of the workers are decreased.

As industrial leaders recognize the need of a low noise level, restrictions will be made on the noise production of certain machines. Wide-awake designers are already checking their new creations carefully in order to keep sound to a minimum and to reduce vibration.

One of the real obstacles to the progress of noise reduction in the past has been the high cost of suitable sound measuring equipment. This is no longer the case. Sound level meters have been perfected to the point where the operator needs merely to push a button, turn a knob and read a meter. The mechanism of modern sound measuring machines is outlined further in this article. By H. H. Scott. *Industry,* April, 1937, p. 34:4.

Clear All Tracks—Order Coming Through!

A well-known mill supply house has a specific plan of operation to achieve its ideals of speed in turning orders into deliveries and completeness of regular stocks. The most valuable feature of this system is the Kardex method of maintaining perpetual inventory of the goods on hand. When an order comes in by phone, it is read aloud and the Kardex operator checks the card record to see if sufficient quantity is in stock to fill the order.

The credit manager checks all orders before they go out and sends them down a chute to the stock room; from here the order is promptly sent out. After this is done, the order is priced, the material is deducted from the stock record on the Kardex, and the billing procedure is taken care of. By John J. Welch. *Mill Supplies,* March, 1937, p. 30:2.

Landmarks in the Evolution of the Office

In the past 21 years, revolutionary changes have taken place in the majority of business offices. The office improvements during that period of time which this article describes are: office lighting, the typewriter, the telephone, the teleprinter, the adding machine, the accounting machine, the dictating machine, the comptometer, visible records, duplicating, addressing and office printing, and punched card accounting. *Industry Illustrated,* March, 1937, p. 43:4.

White-Collar Employment Market in the Metropolitan District

Business clearly wants to go forward but, as we go into the spring quarter, one senses that management deems it prudent to put on the hiring brakes. The uncertainty resulting from labor conflicts has carried over into the white-collar area and is being reflected in a tendency to confine office hirings to such additional personnel as sheer pressure of accumulating work makes necessary.

However, the volume ratio of position-seekers to open jobs continues to shorten, the current supply indexes averaging from 3 to 8 points below last year's levels. With respect to candidates who are acceptable in terms

of present demand, the supply is even more reduced than these figures suggest and it is thinning steadily. The best chance of finding "proficiency begotten of experience" now lies in the over-30 age brackets. In the 20-30 year area, acceptable experienced candidates are becoming difficult to uncover. Below 20, novices and juniors are plentiful, though considerable culling is necessary to locate those with suitable backgrounds, attitudes, and potentialities for office employment. *Current Conditions,* National Employment Exchange, April, 1937. 3 pages.

PRODUCTION MANAGEMENT

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

What the Wagner Decisions Mean to Management

Not all industrial organizations, says this writer, are within the purview of this law, but the great basic industries "with ramifying activities affecting interstate commerce at every point" are surely within it and subject to the controlling power of Congress.

Once the business executive has decided that the Wagner Act is probably applicable to his business, he should avoid: Interference with employees in the rights set forth in Section 7 (self-organization and collective bargaining through representatives of their own choosing); interference with the formation or administration of any labor organization, or contribution of financial or other support to it; encouragement or discouragement of membership in any labor organization by discrimination as to hire, tenure or any term or condition of employment (a closed-shop agreement can be made, however, with a labor organization not dominated by the employer); discrimination against employees for testifying under the Act; refusal to bargain collectively with employee representatives.

Three rights of employers expressly confirmed by the decisions are the right to maintain an open shop, the right to discharge an employee for non-performance of his contract, and the right to decide as a question of management to discontinue an operation through the employment of workers and to have the work done by someone else under contract. By Roderick P. Stewart. *Barron's,* April 19, 1937, p. 8:1.

Working Conditions in the Bread-Baking Industry

The typical bakery of today compares favorably with similar sized establishments in other industries as far as lighting, ventilation, and general sanitation are concerned.

A recent survey by the Bureau of Labor Statistics disclosed that new employees are almost universally recruited from direct applicants. Previous experience in the occupation usually out-

weighs all other considerations in selecting applicants for jobs.

Processing workers in bake shops are generally paid on a time basis; production workers generally get weekly salaries; driver salesmen receive commissions.

Starting and quitting hours of bakers are highly irregular, varying with week-end and holiday rushes and mid-week lulls. Night work is still very common.

Employee-welfare activities are not very common and are found only in the larger bakeries. By Frances Jones, Bureau of Labor Statistics. *Labor Information Bulletin,* February, 1937, p. 10:2.

Wages, Hours, and Working Conditions in the Bread-Baking Industry, 1934

This is the third of a series of surveys made by the Bureau of Labor Statistics in the bread-baking industry. It was made at the request of and in cooperation with the National Recovery Administration and its purpose was to furnish impartial and detailed information to show the effect of the President's Reemployment Agreement and the code upon wages, hours, and working conditions of labor in the bread-baking industry. United States Department of Labor, *Bulletin No. 623,* 1937. 143 pages.

Growth and Work of State Employment Services, 1933 to December 1936

Development of a permanent nationwide system of public employment offices to provide efficient employment-exchange facilities to all communities in the country is the major responsibility of the United States Employment Service.

During the formative stage, the permanent system of affiliated State employment services operating under the guidance of the United States Employment Service was supplemented by the directly federally operated National Reemployment Service. At the end of the first year, the federation of State offices provided facilities only to 37.6 per cent of the gainful workers of the country, the remainder being served by the National Reemployment Service. By the end of December, 1936, the State employment services had so grown that it was able to provide facilities to 56.8 per cent of the gainful workers of the country. By G. L. Webber, the U. S. Employment Service. *Monthly Labor Review,* February, 1937, p. 285:7.

Government Regulation of Unions

The impetus given to the organization of labor under the National Labor Relations Act and the recent resort to illegal methods for enforcing labor demands suggest the possible need for some form of control over unions and their activities commensurate with the control of business enterprise. Experience under laws restricting union activities or making arbitration of disputes compulsory indicates that those laws have not been particularly effective in preventing strikes. Compulsory arbitration tends to result in governmental control of

wages and hours and in labor control of government. Various methods for the regulation of unions and the prevention of sit-down strikes are represented in recent legislative proposals. By Hermon K. Murphey, Division of Information. *Conference Board Bulletin,* May 4, 1937. 12 pages.

Hourly Entrance Rates of Common Laborers in 20 Industries, July, 1936

The hourly entrance wage rate of adult male common laborers in the United States averaged slightly more than 43 cents in July, 1936, as compared with 43.0 cents in 1935, 33.3 cents in 1933, and 43.2 cents in 1929. Geographical differences were very great, the range by states in 1936 being from 52.6 cents in Washington to 25.5 cents in Arkansas and South Carolina. By Robert S. Billups, Bureau of Labor Statistics. *Monthly Labor Review,* April, 1937, p. 938:15.

The Social Security Act What It Is and What It Does

This is an analysis of the Social Security Act, its operation and administration, prepared to supply answers to questions which may arise about it. Business Information Division, Informational Service, *Social Security Board,* March 31, 1937. 25 pages.

Cost of Living in Relation to Wage Adjustments

Cost of living assumes new importance as wage rate increases are announced, particularly in places where arrangements are made to adjust wage scales according to changes that occur in some cost of living index.

The three principal index series are the United States Bureau of Labor Statistics, The Massachusetts Cost of Living Index, and the monthly index computed by the National Industrial Conference Board. The principles on which these indexes are built and their sources of information are outlined in this article. Various graphs and tabulations are used to illustrate the application of index numbers. *Industry,* April, 1937, p. 11:3.

Income from Bituminous Coal Mining

Income from the soft-coal industry amounted to $392,000,000 in 1935, which was 43 per cent below the 1929 level. Wages and salaries accounted for 94.7 per cent of the total income from the industry in 1935 and wages alone took 85.7 per cent. Dividends constituted only 1.4 per cent. Average "real" wages in 1936 were 6 per cent above the 1929 level. By John A. Slaughter. *Conference Board Bulletin,* March 12, 1937, p. 37:4.

Productivity in the Belgian Coal-Mining Industry

The effectiveness of mechanization in raising labor productivity even under the most difficult seam conditions has been demonstrated in the Belgian coal-mining industry. In spite of the fact that coal averaging only slightly over 2 feet in thickness was being mined 2,000 feet below the

surface, coal-mine workers in Belgium increased their productivity markedly after 1926, thereby reversing the tendency since the war period of a gradually decreasing man-day output. By Margaret H. Schoenfeld, Bureau of Labor Statistics. *Monthly Labor Review,* March, 1937, p. 589:18.

Wages, Hours, and Working Conditions in the Folding-Paper-Box Industry 1933, 1934, and 1935

This survey of wages, hours, and working conditions in the folding-paper-box industry is the first ever made for that industry by the Bureau of Labor Statistics. It is part of a broader survey which also includes the set-up paper-box branch of the converted paper-products industry.

The survey was prompted by a desire to extend the Bureau's detailed surveys of wages, hours, and working conditions to smaller industries and a desire to obtain a picture in several industries covering pre-code, code, and post-code conditions, in order to see what changes occurred in wages and hours as a consequence of the adoption and later abolition of the NRA code. United States Department of Labor, Bureau of Labor Statistics, *Bulletin No. 620,* 1937. 81 pages.

Personnel

Development of Personnel Records

Personnel administration in private industry is entering a new phase of growth. Many business leaders are wondering whether the types of personnel procedures which have been applied to workers, where the gulf between employer and employed is definitely recognized, may not also be used advantageously in judging junior executives.

At the beginning of the present century personnel activities in business were largely confined to putting Taylorism in force among wage earners. When the World War began, observers were pointing out that any enduring program of personnel administration must be set up on a much broader base than mere time and motion study.

During the War psychologists were faced with an unprecedented opportunity. By means of the Alpha Test, doughboys and gobs were rated by the thousands, and thus another aspect of personnel administration developed. During the same period the War Labor Board, which had been created to arbitrate industrial controversies, handed down many awards assuming the existence of joint committees of employers and employees to conduct personnel matters.

Added to these developments was the cold fact that labor was extremely scarce at that time. Finally, the growing strength of organized labor was forcing the whole issue of a proper basis of industrial relations into the foreground.

Following the War came a deluge of psychologists out of the army into industry. They and many employers believed that if industrial workers

could be tested psychologically, the problems of human relations might be solved. Disillusionment was quick and thorough.

Except in some of the stronger companies, most personnel programs were allowed to lapse during the depression of 1920 to 1922, but they showed quick recuperative powers after the business upswing took place.

From 1929 to date the personnel movement has been in confusion. Fly by night undertakings inaugurated during the boom days have almost entirely disappeared. Some employers, fearful of further labor legislation, are attempting to entrench themselves by setting up hastily conceived personnel procedures. Meanwhile trade unions, realizing the inefficiency of permitting industrial relations to be handled solely by the business agent and company officials, are working out new approaches to the problem. At the same time, certain companies have adopted personnel programs for the primary purpose of avoiding unionization.

Two situations are obvious: in the current industrial upswing there is a distinct shortage of skilled labor, and a dearth of capable junior executives.

The shortage of skilled labor is summed up in one word: depression. But the scarcity of junior executives is the result of changes in our industrial order. In the great industrial companies, administration has become impersonalized and specialized. The absence of fluidity in administration narrows the confines of activity for the junior executive. Some companies now permit their junior executives to study various administrative problems by means of regular transfers among departments, but even this provision fails to give a coordinated view of the entire organization.

The writer ventures the opinion that in one respect administrators of private concerns might gain some interesting information from the Federal bureaus in Washington. The United States Government keeps records of its employees that might be suitable for St. Peter. They are the story of the employee's life in Federal service and are storehouses of information for the overseer in quest of potential executive ability. Folders on each employee contain not only routine data, but a remarkably complete account of the employees activities. By E. C. Robbins. *Harvard Business Review,* Spring Number, 1937, p. 361:5.

Some Common Sense About the Human Factor

Men and women seek four things in their jobs: a safe income, self-respect in the job, an opportunity to make a little extra on the existing job (bonuses, etc.), a chance to get a better job. By keeping these four things in mind, management will find that the personnel problem simplifies itself. It is the opinion of the author that most people are not anxious to "get on"—the large majority of people, he says, seek a safe job which requires no special effort.

There are two factors which help to build up loyalty and encourage am-

bition: promote from within whenever possible; promote by merit and not by seniority. The fact that executives sometimes withhold information from their immediate junior for fear of being replaced by him is admirably overcome in some factories, he points out, by not promoting a person unless he has trained someone to fill his place.

Two common misconceptions on the relation of service to wages are cleared up: A worker can only be paid what his job is worth. For instance, if a factory manager were put on the job of a machine tender he is only worth the salary of a machine tender even though he is fully qualified by experience and ability to run the factory.

The practice of raising wages of workers year by year merely because of the length of service has put many businesses into financial difficulties. If after ten years' service the man is still doing the same work, he is not worth more than when he started because he can only be paid what the job is worth. By Harold Whitehead. *Industry Illustrated,* April, 1937, p. 10:1.

A Borstal Experiment in Vocational Guidance

Four hundred Borstal boys were tested and examined at the beginning of their period of detention. Vocational recommendations were made for all of them; but, in order that the value of the psychologist's procedure might be tested, these recommendations were forwarded to the Borstal Institutions only in alternate cases. The remainder formed a "control" group and were allocated to their work-parties by their housemasters. Progress reports on the 400 boys were forwarded to the adviser at six-monthly intervals.

For various reasons, 82 of the boys examined dropped out of the experiment, but there remained 158 boys in the "recommended" group and 160 in the "control" group. Of the 158 in the "recommended" group—that is, of the 158 who were placed in work parties recommended for them by the adviser—110 became Grade A workers. Of the 160 in the "control" group—that is, of the 160 boys who were placed in work parties recommended for them by their housemasters—only 73 became Grade A workers. In other words, 69.5 per cent of the adviser's recommendations and only 45.6 per cent of the housemasters' recommendations led to satisfactory results.

This difference, which but for certain unfavorable conditions would probably have been greater, is statistically significant. It casts no reflection upon the housemasters, but it shows clearly that with the aid of the new procedure they could achieve better results than those they achieve without it. By Alex Rodger. Medical Research Council, Industrial Health Research Board, *Report No. 78,* London, 1937. 50 pages.

A Borstal Experiment in Vocational Guidance: A Critical Notice

The writer indicates the main outline of the experiment carried out at Wormwood Scrubs Boys' Prison by the National Institute of Industrial

Psychology on behalf of the Industrial Health Research Board, on a request by the Home Office at the instance of the Prison Commission.[1]

The aim of this experiment was to discover whether psychological methods of vocational guidance would be useful to the authorities in allocating Borstal boys to their respective work-parties. To this question, writes the commentator, the results of the inquiry have provided so convincing an answer that the Prison Commissioners have made arrangements for the instruction of Borstal house-masters in the National Institute's technique.

Dr. Macrae states that, having regard to the limitations both of the human material and of the vocational opportunities, one must consider the results of this experiment a particularly striking testimony to the value of the psychological technique of vocational guidance. By Angus Macrae. *The Human Factor,* May, 1937, p. 187:3.

An Analysis of the Minnesota Vocational Test for Clerical Workers

The purpose of this study was to make a comprehensive analysis of the Minnesota Vocational Test for Clerical Workers. Earlier results have indicated that the Minnesota Test is a reliable and valid measure of clerical aptitude, and is relatively free from the influence of clerical training and experience. Both the clerical number and name checking tests are relatively independent of academic ability when homogeneous groups are considered. For more heterogeneous groups, only clerical number checking is independent of academic ability. The clerical test differentiates clerical workers from workers in the general population and from workers in various non-clerical occupations.

The problems which have been singled out in this part of the study are:

(1) To discover what aptitudes the clerical test is measuring and what traits are closely related to it.

(2) To determine whether the clerical test is measuring a unique trait which is relatively independent of other tested abilities. By Dorothy M. Andrew. *The Journal of Applied Psychology,* February, 1937, p. 18:30.

Selection Tests for Paper Sorters

Inspection processes in industry provide one of the most promising fields for the use of vocational selection tests. These processes generally require good powers of sensory discrimination, and rapidity of perception and judgment. A certain degree of intelligence is needed to form an idea of the standards of inspection, and not infrequently manual dexterity is demanded in the manipulation of the objects being inspected. These are all qualities which tests can measure.

This investigation, carried out in a paper mill by the National Institute of Industrial Psychology in England, although applied to such a small group of persons (18 girls) that the re-

[1] *A Borstal Experiment in Vocational Guidance.* By A. Rodger. Summarized on page 168 of this magazine.

sults are only provisional, appears to indicate that in processes of this type it is possible, by means of very simple tests, which take only about ten minutes to apply, to obtain as reliable a measure of a girl's ability as by the output figures of three months' productive work.

The tests and their administration are described. By L. S. Hearnshaw. *The Human Factor,* April, 1937, p. 146:8.

Seven Years' Experience of Tests for Sales Assistants

In 1929 Harrods, Ltd., asked the National Institute of Industrial Psychology to cooperate with them in improving their existing methods of selecting shop assistants. A preliminary analysis was made of the qualities required, together with a comparison of sales assistants which showed that there were wide differences in sales ability. Tests were then devised which were administered to a small sample of "good" and "poor" sales assistants. A comparison of the scores suggested that the tests had discriminative value.

All the permanent selling staff under 25 years of age engaged during October and November, 1929, were given the tests, although they were not used as the basis for hiring. In June, 1930, an analysis was made of the efficiency of those tested in relation to their test scores; as a result, one of the tests was omitted and the others, supplemented by an interview, were used for engaging all assistants aged 25 or less. In November, 1936, after the tests had been in use for nearly seven years, a further analysis of the results was made. The tests proved to have considerable practical value in assisting in the selection of assistants.

During these investigations the problem of the qualities which make for successful salesmanship was constantly under analysis, in its more obvious aspects. One significant suggestion from the investigation is that a very high level of intelligence seems to be an actual disadvantage in a female sales assistant.

A method of determining the real nature of selling ability is outlined by the authors, with the comment that a much broader basis for the research is needed than the problems of one firm. They invite other interested firms to communicate with them. By F. W. Lawe and Winifred Raphael. *The Human Factor,* April, 1937, p. 137:9.

Fatigue and Boredom in Repetitive Work

The information obtained from certain previous investigations concerned with the detailed study of boredom and its effects in small groups of workers formed the starting point of the inquiry described in this report, which deals with larger numbers and extends the methods previously used.

The incidence of boredom symptoms in 355 experienced girls employed on various forms of light repetition work was studied. Boredom assessments, based on the replies to a number of

carefully prepared questions, were obtained for each worker, and the results may be regarded as fairly representative of the distribution of boredom in workers employed on repetition work generally.

The provision of gramophone music as an antidote to boredom is also discussed; there is reason to believe that this is an effective and practical measure which is likely to find adherents in the future.

Some of the results of the investigation follow: (1) Boredom was fairly frequent during the first hour of the spell of work, was still more common during the second hour, but decreased considerably as the end of the spell drew near. (2) A high potential capacity is not the only criterion which should be used in selecting operatives for repetitive work; an equally important factor is relative immunity from influences which prevent the worker from making full use of her potentialities.

(3) The amount of boredom experienced is dependent on personal characteristics and seems to be associated with (a) intelligence, (b) inability to mechanize simple manual processes, (c) temperamental tendencies which find satisfaction in active contact with the external world (extrovert) rather than in phantasy (introvert), and (d) a desire for creative as distinct from repetitive work. These characteristics may be detected by means of suitable tests. (4) Boredom and discontent are closely connected with the type of work, and even slight differences between one process and another may have widely different effects on the operative.

(5) A ranking according to importance of a selected number of factors associated with the conditions of work gave the following results: security of employment, comfortable working conditions, pleasant working companions, good supervisor, opportunities for promotion, high wages, opportunities to use own ideas, work which needs thought, short hours, work which needs no thought.

The report discusses the possibilities of applying the available knowledge of boredom and its relation to personal characteristics and conditions of work as an aid in selecting individuals who are most qualified for repetitive work, and in the arrangement of working conditions so that boredom is less likely to arise. By S. Wyatt and J. N. Langdon. Medical Research Council, Industrial Health Research Board, *Report No. 77*, 1937. 86 pages.

Efficiency Ratings

Personnel workers are often dissatisfied with efficiency, service, or performance ratings when the employees are all grouped about "excellent" or "good," believing that rates should assume a "normal" distribution.

The author points out that the expectation for a normal distribution is due to a confusion between "performance" and "ability." If the work is simple and of moderate volume and selective recruiting methods are used, it may well be that all the employees can perform excellently. The work is not

difficult enough to cause an appreciable spread in performance.

In pursuing a policy of promotion from within, therefore, service ratings should be used with discretion. By Robert L. Hill. *Personnel Journal,* March, 1937, p. 330:3.

Indirect Incentives

There is a limit to the power of financial incentives; men do not work for bread alone, they need consideration and comfort to help it down.

Indirect incentives which make an office a pleasant place to work include a good labor policy—careful selection, a reasonable degree of security of tenure, appreciation of good work, possibilities of promotion, ready access to the management. Good organization and good planning are essential to a good output, but above all there is needed good personal relations within the firm. *Labour Management,* February, 1937, p. 1:1.

MARKETING MANAGEMENT

What Should the Salesman Know About His Product?

A salesman should know just enough about his product to enable him to do a good job of selling. There are many facts about every product which obviously have no value in the sales presentation. Several companies have learned this at great cost. For example, the number of sales of a certain washing machine decreased considerably because the salesmen were spending too much of the time demonstrating intricate mechanical features to housewives whose only interest was in a better way of washing clothes.

Generally speaking, the fault in selling has been the way in which product knowledge has been used. The salesman should be taught how to build up his sales talk by using certain facts to get attention, others to arouse desire, and others to secure conviction and close the sale.

It is a good plan, in trying to determine how the sales force should apply its store of knowledge, to collect information from the experience of successful salesmen and make it available to all who are employed in the selling department. This will bring vastly better results than saying, "You can't know too much about your product." By H. G. Kenagy. *Printers' Ink Monthly,* May, 1937, p. 27:3.

"The World's Greatest Salesman"

In Philco's main offices, mailing lists that contain the addresses of tens of thousands of retail radio salesmen are constantly at work—to "keep the retail salesman right up to the minute." Philco believes that there is no salesman quite so good or quite so important as an able retail salesman. Practical evidence of that belief is the consistent and nationwide program of retail sales education that the national

merchandising manager of Philco describes in this article. By Harry Boyd Brown. *Executives Service Bulletin,* Metropolitan Life Insurance Company, May, 1937, p. 3:2.

Psychological Effects of Changing the Form of a Trade Name

The experimenters were interested in investigating psychological effects of changing the form of the word "Jantzen" from the well-known script to a block form. The following conclusions were drawn as a result of the experiment:

1. The change in the form of the name has little, if any, effect on the product associated with that name.
2. When a direct comparison is made between the two forms of the name, the subjects choose the familiar (script) form as being the better guarantee of genuineness.
3. The change in the form of the word has very little effect affectively when used in the situation of the advertisement. A majority of the subjects show no preference for either advertisement, and only 4 per cent of the group noted the difference.

By Albert B. Blankenship and Howard R. Taylor. *The Journal of Applied Psychology,* February, 1937, p. 94:8.

Determination of Confusion in Trade-Mark Conflict Cases

This report contains a recommendation that courts accept the evidence of psychological tests to help them determine whether consumers are confused by similar trade-marks in cases of trade-mark litigation. The history of psychological work in this field is recounted and the value of such evidence in comparison with the evidence usually accepted by courts in trade-mark conflict cases is appraised. By Neil H. Borden. Harvard University Graduate School of Business Administration, Bureau of Business Research, *Study Number 16,* 1937. 34 pages.

Compensating Salesmen

Two reports published by the Policyholders Service Bureau of the Metropolitan Life Insurance Company deal with salesman compensation: "Compensating Newspaper Advertising Salesmen," and "Compensating Salesmen of Automotive Replacement Storage Batteries."

Surveys were made of groups of organizations in the two fields; the various types of compensation are tabulated (such as straight salary, salary plus commission, etc.), advantages and disadvantages are listed, and various forms used are reproduced in the two reports. They are 30 pages and 27 pages, respectively, and were both published in 1936.

Consumers' Cooperation

The May, 1937, issue of *The Annals of The American Academy of Political and Social Science* is given over to a series of articles on consumer cooperation. The articles are divided into groups under the headings of "Principles and Funda-

mentals," "Social Relationships of Cooperation," "Cooperation in the United States," "Cooperation Abroad," and "Criticisms of Cooperation."

The section on cooperation in the United States includes a general article on the subject plus articles on farm purchasing cooperatives, oil and gasoline cooperatives, comparative retailing costs of consumers' cooperatives, cooperative insurance and finance, cooperative supply of services, cooperative housing, cooperative credit and cooperative recreation. 292 pages.

A Better Product Pulled Our Business Out of the Doldrums

For several years prior to 1936, the battery industry was in a rut. A small group of manufacturers and hundreds of local battery builders were struggling for their individual shares of a comparatively fixed market.

To cope with this situation, company officials of the National Battery Co., Minneapolis, Minnesota, abandoned routine thinking and struck out courageously to do something different in their line of industry. They weren't afraid to build up a new quality standard even though it entailed a higher selling price; however, before trying to put the new principle into execution, they got the whole organization sold on the idea.

In July, 1936, the company introduced the Kathanode battery and placed on every new battery under this trade name a guarantee for good service "as long as you own your car."

The campaign to present the Kathanode to the public effectively combined business paper and consumer advertising and brought excellent results. This new type of battery is now recognized by many dealers and consumers as outstanding in value and performance. By Herbert King. *Sales Management,* March 15, 1937, p. 500:4.

Taking the Prospect's Measure

A good salesman always goes through the process of qualifying his prospect. Before he begins his selling tactics, he must first find out whether or not the individual he is calling on is really interested in his product and if there is a possibility that he will make a good customer.

In order to decide upon these factors, the salesman should determine as early as possible in the interview if the prospect has available funds, if he has the authority to buy, if he is in earnest about purchasing the goods or services set before him, and if it is his present desire to buy. By Burton Bigelow. *The Red Barrel,* March 15, 1937, p. 6:4.

Many Happy "Returns" for the Day

The Assistant Store Manager of the The Hecht Co., Washington, D. C., describes an analysis which the store made of its returned merchandise. At the conclusion of the survey they were definitely convinced that 50 per cent or more of the returns could be attributed, not to the customer, but to the store itself.

They therefore attacked the problem from this angle; the store-wide campaign which was initiated is de-

scribed. The results for 1936 were very satisfactory and proved that they should not further penalize customers for returns until the store itself was put into order. By Morris Moss. *The Balance Sheet,* April, 1937, p. 7:4.

The Step-Child, Reciprocity

During the depression a great deal of business was done through reciprocal buying and selling. Though we appear to be gradually working out of the depression, we still seem to find that reciprocity is desirable, and if we are not careful, it will become a permanently adopted policy.

Conducting business under the principle of reciprocity destroys the orderly functions of production, operating, purchasing, and distribution. It is having the effect of breaking down buying and selling policies upon which years of thought, experience and cooperation have been spent in developing. Business will surely suffer "wrecked policies" in the future, unless corrective measures are adopted. Reciprocity should be cast aside and business should continue along sane and reasonable lines. By David C. Jones, vice president, Lunkenheimer Company. *Mill Supplies,* March, 1937, p. 13:1.

Salesman, Boost Thyself!

Everyone in the R. C. Neal organization has a personal interest in the firm's success. The records of sales of leading lines to individual customers are kept by the salesmen themselves. These records are checked each month by company sales executives who go through with any follow-up which they believe favorable to insure increased sales.

The Neal plan for personal incentives, besides rewarding the sales force, provides every worker in the organization with a bonus which is based on the bonuses paid to the salesmen. Thus, everyone in the establishment, no matter how lowly his task, benefits by this plan. By E. J. McOsker. *Mill Supplies,* February, 1937, p. 24:3.

Credit Wise—or Otherwise

The sales manager is sold on the results that collection letters bring. He is familiar with the principles of advertising and consequently knows how to be interesting and entertaining. For these reasons, the sales manager who is properly informed as to the status of a past due account can write a collection letter that will put the average credit man to shame.

Generally speaking, credit men are so wrapped up in the "get the check" idea that they do not give sufficient thought to their correspondence. A credit man must stand for three principles. It is his duty to the business world to prevent the overexpansion of credit; to his profession, it is to spread the canons of business ethics; and to his company it is to increase profitably the sales of merchandise. If he expounds these principles through his letters, they will bring him enduring results. By W. C. North, Credit Manager, Breyer Ice Cream Co., Newark, New Jersey. *Credit and Financial Management,* April, 1937, p. 12:3.

Books Received

MATHEMATICS OF FINANCE. By Thomas Marshall Simpson, Zareh M. Pirenian, and Bolling H. Crenshaw. Prentice-Hall, Inc., New York, 1936. 467 pages. $3.75. The revised and enlarged second edition of a text planned primarily for students of commerce and business administration. Its scope of treatment, however, makes it of value to all interested in practical financial mathematics.

INDEX TO VOCATIONS. Compiled by Willodeen Price and Zelma E. Ticen. The H. W. Wilson Company, New York, 1936. 106 pages. $1.25. A revision and enlargement of the former "Index to Vocations" published in mimeograph form by the Division of High School Reference of the Public Library of Fort Wayne and Allen County, Indiana. Compilation includes books and pamphlets listed in the Standard Catalog for Public Libraries, Standard Catalog for High School Libraries, American Library Association Booklist and also a number of additional titles.

ENCYCLOPEDIA OF BANKING AND FINANCE. Volume One. By Glenn G. Munn. The Bankers Publishing Company, New York, 1935. 784 pages. $6.50. This fourth edition of a valuable work will be of great help to all manner of financial institutions, brokers, investors, lawyers and students. The author has done well in making it comprehensive, accurate and convenient.

FACTORS AFFECTING WAGES IN POWER LAUNDRIES. United States Department of Labor, Women's Bureau. Bulletin No. 143. 82 pages. A report covering 348 power laundries employing approximately 23,000 persons in 22 cities.

EMPLOYMENT CONDITIONS IN DEPARTMENT STORES IN 1932-33. United States Department of Labor, Women's Bureau. Bulletin No. 125. 24 pages. A study of department store conditions in selected cities in five states.

PETROLEUM PRODUCTION. By Wilbur F. Cloud. The University of Oklahoma Press, Norman, Oklahoma, 1937. 614 pages. $5.00. A treatise on petroleum production methods and fundamentals. It forms an excellent reference for the oil company executive, the student and the practical production engineer.

1936 YEAR BOOK OF THE AMERICAN INSTITUTE OF ACCOUNTANTS. 509 pages. New York, 1937. $2.00. This is the first edition of this year book published since the merger of the Institute and the American Society of Certified Public Accountants.

WORLD TRADE AND ITS FUTURE. By Sir Arthur Salter. The University of Pennsylvania Press, Philadelphia, 1936. 101 pages. $1.50. Five lectures delivered at Swarthmore College in the spring of 1936. Describes the broad outline of world trade, the course of the development of international trade in modern times, and the principal factors which have determined its volume, its character, and its organization.

THE RAILWAY WORKER. By G. M. Rountree in collaboration with J. C. Hemmeon and L. C. Marsh. Oxford University Press, Toronto, 1936. 364 pages. $3.00. A study of employment and unemployment problems of the Canadian railways.

STATISTICAL DETERMINATION OF COSTS, WITH SPECIAL REFERENCE TO MARGINAL COSTS. By Joel Dean. The University of Chicago Press, Chicago, 1936. 145 pages. $1.00. Develops practical methods for determining the behavior patterns of a firm's average and marginal cost and explores by means of these methods the actual cost phenomena of two sample enterprises, one with short-run and the other with long-run cost variations.

CORPORATION LAWS OF NEW YORK. Commerce Clearing House, Inc., New York, 1936. 308 pages. $1.00. Revised to January 1, 1937.

AMERICA'S YOUNG MEN. Edited by Durward Howes. Richard Blank Publishing Company, Los Angeles, California, 1936. 627 pages. $10.00. A who's who among the young men of the nation. The volume contains 6010 biographies of men under forty-five years of age. Included is a statistical summary, a geographical and occupational index.

A CLASSIFICATION OF BUSINESS LITERATURE. The Library of the Harvard University Graduate School of Business Administration. The H. W. Wilson Company, New York, 1937. 354 pages. $5.00. A well-conceived and sensibly executed classification of business literature, this book is a direct outgrowth of the expansion of Harvard Business School Library, an expansion that took place in the decade of the 1920's. More fundamentally, it is a product of that extension of writing in the field of business which has characterized the twentieth century.

MAGAZINE CIRCULATION: AN OUTLINE OF METHODS AND MEANINGS. By Phillips Wyman. The McCall Company, New York, 1936. 197 pages. $3.00. A study which provides a picture of those various processes of magazine distribution which are the life behind the statistics and phraseology of the Audit Bureau of Circulations. It is worthwhile reading for business people for the disclosures it makes on buying habits of readers, and the functions of the various magazine distributors.

GOVERNMENT FINANCE. By Jens P. Jensen. Thomas Y. Crowell Company, New York, 1937. 595 pages. $3.50. Examines government finance in relation with basic economic, political and social institutions. Up-to-date, comprehensive, readable.

AMERICAN FOREIGN POLICY IN CANADIAN RELATIONS. By James Morton Callahan. The Macmillan Company, New York, 1937. 576 pages. $4.00. Presents the dominant and significant factors of American policy and diplomacy.

NRA ECONOMIC PLANNING. By Charles Frederick Roos. The Principia Press, Inc., Bloomington, Indiana, 1937. 596 pages. $5.00. This is Monograph No. 2 of the Cowles Commision for Research in Economics. It is an examination of the more important fundamentals in the evolution of NRA policy.

Survey of Books For Executives

How to File and Index. By Bertha M. Weeks. The Ronald Press, New York, 1937. 261 pages. $2.50. This book discusses certain fundamental principles of filing which have evolved from the author's experience. Miss Weeks points out that modern complex business requires filing methods adequate to the demands made upon them, and then outlines the best methods that have been developed. The value of a filing system depends, she says, on how well the first principles of filing are applied and adapted in a particular business to fit the service of all departments and the requirements of office management.

Comprehensive and entirely adequate in scope, the volume devotes chapters to the following phases: modern records, judging a good alphabetical index—alphabetical card files, setting up the correspondence file, preparing papers for filing, alphabetizing rules, geographic methods of filing, lending and safeguarding records—charge-outs, transfer and final disposition of records, follow-up systems, numeric files, how to set up a subject file, duplex and decimal subject files, filing printed material, department records—government files, centralized and decentralized files, layout of the file room, planning a card form—

visible files, equipment and supplies, analyzing files—incentive plans, personnel, tests, manuals, costs, filing in a lawyer's office, filing in an accountant's office, filing in a hospital, in an engineering firm, in an advertising agency.

Labor's Search for More. By Malcolm Keir. The Ronald Press, New York, 1937. 527 pages. $3.50.

In 1914 when the United States Commission on Industrial Relations asked Samuel Gompers what it was that American Labor wanted, he replied, "more." The word he uttered was not applicable to labor alone, however. It fittingly characterized nearly all Americans in the generation from McKinley to Hoover. "Bigger and better" was the slogan of Americans. In the last five years of the generation, the quick attainment of "more" became outright gambling in which people in all walks of life indulged. The inevitable reaction was severe and prolonged. In the six years after 1929, thirteen million men and women were jobless and there was scarcely a person who did not lose a considerable amount of his accumulated "more." The generation had begun in 1896 after a time when children had wailed with hunger, and it ended in 1929 when for a time the piling up of too much left nearly everyone with too little and many with nothing.

In this book Professor Keir reviews that period of growth and collapse. He reconstructs the ebb and flow of industrial relations—labor's share in wealth, the growth of unions, the great strikes, methods for industrial peace, legislation, labor in politics, radicalism, and many other developments.

Entirely readable, the volume is of great value for the executive and student for the light it throws on developments to date.

Easy Money. By Lionel D. Edie. Yale University Press, New Haven, 1937. 183 pages. $2.00.

In London and New York the official philosophy of governments is to the effect that easy money, meaning low interest rates and high bond prices, must be preserved permanently. The question is whether or not the state has the power to perpetuate easy money.

If it does, the old-fashioned weapons for curbing a boom are no longer available. Those weapons have always consisted of the gold standard and of an advance of the discount rate. Both weapons have been discarded and the financial world is at a loss to know what substitutes are available. There arises a profound dilemma; either the government will prove unable to prevent tight money, in which case the public will suffer tremendous losses on bonds, or it will prove able, in which case there is a danger that the boom will not be curbed and that private finance will be blamed for the consequences.

This book discusses the problem in its practical and scientific aspects. In conclusion, the author fails to find justification for the policy of easy

money as it has hitherto been pursued, he advocates restoration of flexible interest rates, he does not advocate the classical theory nor the Keynes school, he believes that some of the policies by which state control is exercised are open to criticism, he finds that the devaluation of currencies does not point inevitably to such a violent inflation of commodity prices as many people have predicted, he questions whether it is possible under an easy money policy to control credit expansion, to prevent excesses of speculation, and to curb the unhealthy developments associated with a boom.

The Economics of Consumption. By Charles S. Wyand. The Macmillan Company, New York, 1937. 565 pages. $3.50.

One of the major problems of modern economics is to discover more about the nature and relative importance of the forces underlying and governing consumption. This book is an investigation in that realm of the economic world. The author points out that demand has too generally only been recognized as a fact—something unchanging and impersonal. Conventional economics posits the existence of demand and lets it go at that. When something goes wrong with this factor, the perversity of human nature is vaguely damned and attention is turned to an assiduous analysis of the production and exchange mechanism.

The volume is comprehensive in its treatment of the subject and the data are presented clearly and interestingly. Part Two of the book, which is devoted to the consumer and his function, is especially interesting. Included in this section is a thorough study of the factors governing consumer choice.

Route Sales Management. By Fred DeArmond and George N. Graf. Route Sales Publications, New York, 1937. 312 pages. $4.00.

The purpose of this book is to create a common fund of the experience in sales promotion and in the direction of route salesmen for those industries which partake of such similar characteristics in selling and distribution. Among them are bakers, laundries, milk dealers, ice cream manufacturers, beverage bottlers, ice companies, oil marketers, dry cleaners, some tea and coffee houses, wagon jobbers of food products and linen suppliers.

The various chapters of the book are devoted to the following aspects of the subject: organizing for sales building, sales planning, hiring and training salesmen, sales recording and control, and sales promotion.

Wholesaling Principles and Practice. By Theodore N. Beckman and Nathanael H. Engle. The Ronald Press, New York, 1937. 628 pages. $4.00.

Despite its importance and dynamic nature, wholesaling has been largely neglected by scientific investigators. Business men generally, economists, students of marketing, and even wholesalers themselves admittedly

know altogether too little about the field. The authors of this book have essayed to direct the searchlight of inquiry and analysis into this sector of our national economy. Planned as a textbook in courses on wholesaling, the book will also be of interest to business men.

The book has been arranged so that a grasp may be had initially of basic concepts, followed by attention to those aspects of the subject of particular interest to the reader. The chapters on scientific management applied to wholesaling will be of value to everyone.

Comprehensive, yet well organized, the volume is an excellent standard work that will prove of service to all who approach the subject of wholesaling.

Personnel Practices Governing Factory and Office Administration. By F. Beatrice Brower. National Industrial Conference Board, New York, 1937. 134 pages. $3.00.

Prevailing practice in dealing with many questions in connection with the administration of a factory or office is presented in this volume. Data included in the volume were received from 865 manufacturing and non-manufacturing companies. Part I of the report deals with regulations applying to wage earners or factory employees, while Part II deals with regulations applying to office employees. The practices applying to clerical employees are shown separately for industrial companies and financial concerns because conditions affecting the two groups differ in many respects.

A useful index is provided to facilitate the search for information on some particular question. Among the many practices covered are: hours of work, starting and closing time of plant operations and duration of lunch hour, number of holidays observed, penalty for failure to register time, penalty for registering time for another worker, restrictions on tardy wage earners starting work, compensation of wage earners who report for work when none is available, prevalence of trade and intelligence tests for the wage earning group, preferences for men and women wage earners for similar tasks and policy regarding the employment of women after marriage, conditions under which wage earners may draw on their wages in advance, rate of pay for overtime—direct labor, rate of pay for overtime—indirect labor, and many more.

Among the practices governing salaried employees which are outlined are: Hours of work, office hours, minimum and maximum ages of salaried employees accepted for employment, probationary period before salaried employee is considered permanent, payments for overtime for salaried employees, period for which a salaried employee's name is kept on the payroll in case of indefinite incapacity, types of salaried workers on wage incentive plans, payments to salaried employees for jury duty and National Guard or Reserve Corps duty.